

SENATE BILL No. 340

DIGEST OF INTRODUCED BILL

Citations Affected: IC 15-11-12.

Synopsis: Renewable biomass fuel for motor vehicles. Requires local governments to use a fuel in their diesel fuel vehicles that is at least 5% diesel substitute fuel instead of 100% petroleum based diesel fuel. Creates an inspection and certification program administered by the department of agriculture with the assistance of the department of environmental management and the state department of health. Provides that substitute diesel fuel is fuel that is made with renewable biomass products, contains no sulfur or aromatics, results in a substantial reduction of unburned hydrocarbons, carbon monoxide, and particulate matter, and yields at least a 50% reduction in lifecycle greenhouse gas emissions per unit of delivered energy in comparison to traditional diesel fuel. Phases in the requirement over four years by requiring fuel that is 2% substitute diesel fuel beginning July 1, 2011, 3% beginning July 1, 2012, 4% beginning July 1, 2013, and 5% beginning July 1, 2014. Allows the department of agriculture to delay implementation for certain reasons. Establishes an interim study committee to study the feasibility and effectiveness of various forms of incentives to promote the development and use of diesel substitute fuel in Indiana.

Effective: Upon passage; July 1, 2009.

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January 8, 2009, read first time and referred to Committee on Energy and Environmental Affairs.

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First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

SENATE BILL No. 340

A BILL FOR AN ACT to amend the Indiana Code concerning agriculture and animals.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 15-11-12 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2009]:

4 **Chapter 12. Promotion of Renewable Biomass Based Diesel Fuel**

5 **Sec. 1. (a) The following are the purposes of this chapter:**

6 (1) **Establishing a market for diesel substitute fuel, including**
7 **diesel substitute fuel produced in Indiana from Indiana**
8 **feedstock to balance the needs of the environment with**
9 **economic growth.**

10 (2) **Promoting technologies being developed by Indiana**
11 **companies, among others, that will create diesel substitute**
12 **fuel from a variety of materials, including crops, algae, and**
13 **cellulose, and that hold the potential to produce even cleaner,**
14 **lower carbon fuels.**

15 (3) **Promoting the use of diesel substitute fuel in all vehicles**
16 **owned or leased by political subdivisions to reduce their**
17 **dependence on imports of foreign oil, improve the health and**



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quality of life for Indiana citizens, and stimulate the creation of a new industry in Indiana that benefits its farmers and rural communities.

(b) The general assembly recognizes the following:

(1) Diesel substitute fuel is a clean burning, renewable, American made fuel that is available for use in vehicles that require diesel fuel.

(2) Increased use of diesel substitute fuel in a conventional diesel engine results in a substantial reduction of unburned hydrocarbons, carbon monoxide, and particulate matter.

(3) Increased use of diesel substitute fuel results in significant microeconomic benefits to both the urban and rural sectors and improves the balance of trade.

(4) Diesel substitute fuel is registered as a fuel and fuel additive with the United States Environmental Protection Agency and meets clean diesel standards established by the department of environmental management.

Sec. 2. As used in this chapter, "diesel substitute fuel", means a fuel that meets the requirements of section 6 of this chapter.

Sec. 3. As used in this chapter, "life cycle greenhouse gas emissions" means the total quantity of greenhouse gas emissions:

(1) including direct emissions and significant indirect emissions such as significant emissions from land use changes, as determined by the department, in consultation with the department of environmental management; and

(2) related to the full fuel life cycle, including all stages of fuel and feedstock production and distribution, from feedstock generation or extraction through the distribution and delivery and use of the finished fuel to the ultimate consumer, where the mass values for all greenhouse gases are adjusted to account for their relative global warming potential.

Sec. 4. As used in this chapter, "political subdivision" means a county, city, town, township, school corporation, public library, local housing authority, fire protection district, public transportation corporation, local building authority, local hospital authority or corporation, local airport authority, special service district, special taxing district, or other type of local governmental corporate entity.

Sec. 5. As used in this chapter, "renewable biomass" means nonfossil fuel based material or other material as determined by the department, in consultation with the department of environmental management and the office of energy and defense

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development. The terms includes planted crops, crop residues, planted trees, and tree residues from sustainably managed forests, waste materials such as animal waste, animal byproducts, organic parts of municipal solid waste, grease trap waste, construction and demolition debris, and algae.

Sec. 6. (a) The department, in consultation with the department of environmental management, shall determine what constitutes substitute diesel fuel for purposes of this chapter, using the following criteria:

- (1) The fuel must use renewable biomass as an ingredient.
- (2) The fuel must contain no sulfur or aromatics and, when used in a conventional diesel engine, results in a substantial reduction of unburned hydrocarbons, carbon monoxide, and particulate matter.
- (3) The fuel must yield at least a fifty percent (50%) reduction in life cycle greenhouse gas emissions per unit of delivered energy compared with the petroleum based diesel fuel displaced.

(b) For supplies that the department determines meet the criteria in subsection (a), the department shall, by rules adopted under IC 4-22-2, certify the supplies as diesel substitute fuel and shall provide documentation or certificates to suppliers of the fuel showing the number of gallons of diesel substitute fuel supplied. The department shall, by rules adopted under IC 4-22-2, determine which suppliers the documentation applies to, and create a mechanism for tracking these supplies.

Sec. 7. Manufacturers and wholesale distributors of diesel substitute fuel and of fuel blended from petroleum diesel and diesel substitute fuel doing business in Indiana shall furnish samples of such products to the department and shall permit the entry and inspection by the department of their premises and the inspection and sampling of fuel stored at the premises. Upon a request by the department, the state department of health shall assist the department in making inspections under this section.

Sec. 8. (a) All diesel motor vehicle fuel and all other liquid fuel offered for sale to a political subdivision for use in motor vehicle diesel engines must meet fuel quality standards measured by available energy content, or measured in such other manner as determined by the department, at the following levels:

- (1) After June 30, 2011, and before July 1, 2012, the fuel must contain at least two percent (2%) diesel substitute fuel.
- (2) After June 30, 2012, and before July 1, 2013, the fuel must

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1 contain at least three percent (3%) diesel substitute fuel.

2 (3) After June 30, 2013, and before July 1, 2014, the fuel must
3 contain at least four percent (4%) diesel substitute fuel.

4 (4) After June 30, 2014, the fuel must contain at least five
5 percent (5%) diesel substitute fuel.

6 (b) The department may delay the implementation dates under
7 subsection (a) for a period it determines, in consultation with the
8 department of environmental management, during which
9 obtaining sufficient supplies of the required diesel substitute fuel
10 by political subdivisions is not feasible due to lack of supply, lack
11 of blending facilities, or unreasonable cost. If the department
12 delays implementation, the director shall prepare a report
13 explaining the reasons for delaying implementation. The report,
14 which must be in an electronic format under IC 5-14-6, shall be
15 filed not later than thirty (30) days after the director's decision
16 with the executive director of the legislative services agency for
17 distribution to the members of the legislative council.

18 (c) The department, in consultation with the department of
19 environmental management, shall study the feasibility, benefits,
20 and costs, including benefits and costs to producers and political
21 subdivisions, of making the percentage mandates apply on a
22 statewide average basis rather than for every gallon of diesel motor
23 fuel sold. If the department implements such a system, the
24 department shall adopt rules under IC 4-22-2 allowing and
25 tracking sales of certificates or other documentation from the
26 department that show use of diesel substitute fuel in Indiana. A
27 political subdivision may meet its percentage requirements for use
28 of diesel substitute fuel by purchasing certificates or other
29 documentation, and such certificates may be resold.

30 SECTION 2. [EFFECTIVE UPON PASSAGE] (a) An interim
31 study committee is established to study the feasibility and
32 effectiveness of various forms of incentives to promote the
33 development and use of diesel substitute fuels in Indiana, including
34 the following:

35 (1) Diesel substitute fuel production credits.

36 (2) Incentives for the production and harvesting of woody
37 biomass or woody residue.

38 (3) Feedstock incentives.

39 (4) Substitute diesel fuel incentive programs in other states
40 and Indiana's relative competitiveness in the field.

41 (b) The committee shall also study:

42 (1) strategies to increase the use of diesel substitute fuel by

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1 state agencies, political subdivisions, and transportation
2 authorities, including cost estimates for each strategy; and
3 (2) methods to advance strategies described in this subsection,
4 including financing mechanisms, grants to political
5 subdivisions and other governmental entities for using diesel
6 substitute fuel in various applications, loans and other
7 incentive programs for group procurement of diesel substitute
8 fuel, options for obtaining vehicles using diesel substitute fuel,
9 and distribution infrastructure and technical assistance.

10 (c) The interim study committee shall issue a final report in an
11 electronic format under IC 5-14-6 before November 1, 2009, to the
12 legislative council containing the findings and recommendations of
13 the committee.

14 (d) The committee shall operate under the policies governing
15 study committees adopted by the legislative council.

16 (e) The affirmative votes of a majority of the voting members
17 appointed to the committee are required for the committee to take
18 action on any measure, including final reports.

19 (f) This SECTION expires November 1, 2009.

20 SECTION 3. An emergency is declared for this act.

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